23 April 2018

VIA ELECTRONIC MAIL

California Air Resource Board
Attention: Clerk of the Board
1001 I Street
Sacramento, CA 95814

Re: Submittal of Comments, Proposed Amendments to the Low Carbon Fuel Standard Regulation

Per the direction provided in the Proposed Regulatory Action as outlined in the document "Notice of Public Hearing to Consider Proposed Amendments to the Low Carbon Fuel Standard Regulation and to the Regulation on Commercialization of Alternative Diesel Fuels" filed in March 2018, Lancaster Choice Energy (LCE) and Direct Energy (DE) hereby submit the following comments.

Lancaster is a community of approximately 160,000 residents located in northern Los Angeles County, in the High Desert region of the western Mojave Desert, which is rich in solar resources. Lancaster is aggressively pursuing alternative energy solutions in the hopes of bettering the current and future environmental and economic conditions of its community and region. As a means of advancing these goals, the Lancaster City Council approved a Community Choice Aggregation (CCA) Implementation Plan, and Lancaster's CCA program, LCE, launched on May 1, 2015. In alignment with Lancaster's goal of becoming the nation's first net-zero city, LCE is making great strides in power generation, energy conservation, and sustainability.

Direct Energy is one of the largest competitive retail providers of electricity, natural gas, and home services in all of North America with 4 million customer relationships, multiple brands, and approximately 5,200 employees. We provide our residential and business customers with innovative tools, technology, and insights to manage their energy use. In California, we are a wholesale and retail provider of energy and environmental commodities, such as Low Carbon Fuel Standard (LCFS) credits and Renewable Information Numbers (RINs). As both a Direct Access (DA) provider and partner with CCAs, we seek to find programs and solutions to meet the environmental, financial, and reliability goals of our customers.

<u>LCE and Direct Energy Support the Proposed Changes</u>

After a review of the changes proposed by the ARB for the LCFS program, we would like to express our support for the modifications and considerations made by ARB staff. These changes will provide clearer

market price information, enhance market liquidity, and provide further incentives for the development of renewable energy projects throughout California.

Other Changes and Clarifications that Should be Considered

There are two specific items that LCE and DE would like to include in upcoming amendments to the LCFS regulations, each relates to how CCAs can participate in the LCFS market. First, the ARB should clarify that CCAs are eligible entities that can register for non-residential EV LCFS credits through the proposed Section 95483.2(b)(8). Second, the ARB should reconsider the allocation of Residential EV Charging credits to not just electric distribution utilities (EDUs), but also to CCAs. This change will allow the growing CCA customer base access to LCFS revenues to support EV incentive programs. Each item will be elaborated upon below.

Regarding non-residential EV charging, our interpretation of the eligible entities that can participate per the guidance in the proposed Section 95483(c)(2) appears to include CCAs if they meet the registration, reporting, record keeping, and auditing requirements of that section. While CCAs may or may not own the Fueling Supply Equipment (FSE), they will identify the entity that they will be working with as per the requirements in the proposed Section 95483.2(b)(8)(B). We would like clarification that (1) CCAs are eligible to register as entity for non-residential EV charging and (2) any direction for how CCAs will be required to utilize revenue received from LCFS credits obtained from non-residential EV charging.

For residential EV charging, we recommend that the ARB strongly reconsider its allocation of all credits to the EDUs. As ARB staff is aware, the CCAs are taking over a substantial portion of the load in California, comprising roughly 15 percent of the CPUC regulated load in 2018, 20 percent in 2019[1], with projections as high as 85 percent over the next decade. Without at least a portion of the residential EV charging credits allocated to the CCAs, a very large portion of California customers will miss out on a source of credits that their utility could use to provide incentives for greater electric vehicle adoption. These credits will allow CCAs to further innovate and provide the programs that their communities desire. One of the primary drivers for CCA formation was to help communities develop programs to meet their local goals. For those CCAs focused on greenhouse gas (GHG) reduction efforts, allocation of residential EV charging LCFS credits would provide a great benefit. These sentiments have been expressed in past filings by CCAs to the ARB on the LCFS program, such as those from Sonoma Clean Power (November 2016) and Pioneer Community Energy (November 2017).

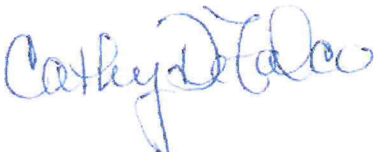
There are many different options that the ARB should explore when considering how to allocate LCFS credits between the EDUs and the CCAs. Options include providing all future credits to the default utility in a particular location, allocating credits proportionally to the level of program engagement or investment that is not stimulated by LCFS credits, or using the CCA formation date as the cutoff for when EVs registered in a CCA service territory receive LCFS credits allocated to a CCA. In regulations developed by the CPUC for Electric Service Providers (ESPs) and CCAs there is precedence that should help to shape this structure. For example, in CPUC Decision 16-01-032, ESPs are credited with half the energy storage capacity for any Self Generation Incentive Program (SGIP) funded projects installed by

[1] https://www.publicpower.org/periodical/article/california-puc-approves-requirements-ccas

their customers. While the SGIP program is administered by the Investor Owned Utilities (IOUs), all customers pay public service charges and thus the benefits should be shared. Similarly, the benefits that are gained through the allocation of LCFS credits should not be limited to just a shrinking pool of IOU customers, but rather should be shared across the entire customer base.

We thank the ARB for the opportunity to provide comments on the proposed amendments to the LCFS rules and look forward to continued engagement in the future.

Respectfully,



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